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ABSTRACT

One of five booklets designed to help vocational education teachers and Commission for Manpower Policy reported here reflect the Commission's concern that, classrooms, this booklet discusses the role of medical, social, educational, and unemployment are expected to continue for some time. This booklet's content is presented in four sections. The first one describes the economic and political setting in which the meeting took place. Section 2 discusses the general rationale for the Commission's conclusions. The third section on directions for action presents six Commission recommendations regarding appropriate manpower program efforts in Fiscal Year 1977 under the Comprehensive Employment and Training Act (CETA) and the Public Works and Economic Development Act. The topics covered in this section are overall level of effort, public service employment and related efforts, skill training, public works, Youth Employment Corporation, improving the knowledge base, unemployment insurance, special revenue sharing, and the role of the private sector. The last section lists the expected outcomes of implementing the Commission's recommendations. (EM)

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An Interim Report
to the President and the Congress of the

National Commission for Manpower Policy

Addressing Continuing High Levels of Unemployment

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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Report No. 4 April 1976

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NATIONAL
COMMISSION
FOR
MANPOWER
POLICY

April 30, 1976

To the President and the Congress of the United States:

I am pleased to forward the conclusions of the fifth meeting of the National Commission for Manpower Policy held in Washington, D.C. on March 24th and 25th.

The recommendations set forth in the enclosed interim report *Addressing Continuing High Levels of Unemployment* reflect the Commission's concern, that although the unemployment situation is beginning to improve, high levels of unemployment are expected to continue for some time.

The Commission also devoted part of its meeting to its commitment for developing a framework for a national manpower policy on which considerable progress has been achieved. Our work in this and other areas is continuing and the results of our efforts will be contained in the Commission's second annual report which will be submitted later this year.

The Commission although heartened by the emerging economic recovery is deeply concerned about the residual unemployment problems and the attendant human and social costs. It renews its pledge to assist the Congress and the Administration to meet the nation's critical manpower challenges.

ELI GINZBERG
Chairman

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I. THE SETTING

The March meeting of the National Commission for Manpower Policy was the first one held in an environment characterized by a declining unemployment rate. Despite the unequivocal signs of a strengthening of the economy, unemployment is still in the mid-7 percent range for the nation as a whole and is expected to remain high for some time to come.

Despite the differences among them, the Administration, the Congressional Budget Office, various Congressional Committees such as the Joint Economic Committee, and most economists agree that the unemployment rate will remain far above the post-World War II average in the years immediately ahead. The fact that an annual 4 percent growth in GNP is required merely to absorb the annual growth in the labor force offers little encouragement to those who desire to rapidly reduce the numbers of the currently unemployed.

Of special concern to the Commission is the fact that within the residual unemployment arising from the recession, there are certain groups in the economy, such as the disadvantaged, youth, UI exhaustees, and other long-term unemployed, that will benefit only slowly, if at all, from the strengthening recovery. The reservoir of unemployed qualified workers will be the first to be reabsorbed.

In addition to the foregoing considerations, the Commission's deliberations were influenced by the following factors on its own agenda and by developments in the legislative arena. The Commission is in the midst of exploring alternative recommendations whereby the nation's manpower infrastructure can be strengthened to cope more effectively with both cyclical shortfalls in employment and the long-term fuller development and use of the nation's manpower resources. These recommendations will be incorporated in its second annual report, which will be available in the fall of 1976.

The following legislative developments influenced the Commission's decisions. Congress has not yet reached final agreement about the level of federal spending for Fiscal 1977. The Humphrey-Hawkins bill (HR 50 and S 50) has just been reintroduced, and the Commission has not yet had an opportunity to review it. Various

congressional committees are currently marking up various manpower bills. The congressional schedule is crowded and there is widespread agreement that the legislators are striving for early adjournment.

In light of the foregoing, the Commission decided to set out its recommendations about the directions for manpower policy and programs for the period immediately ahead, and to include its more far-reaching recommendations for strengthening the nation's manpower infrastructure in its second annual report.

II. GENERAL RATIONALE FOR THE COMMISSION'S CONCLUSIONS

The Commission believes that not even a strong economic recovery will speedily reduce the high average level of unemployment and that particular groups will be even more adversely affected. The unemployment problems of these groups are not directly amenable to broad macroeconomic stimulation, certainly not without unacceptable inflationary effects. Therefore, the Commission maintains that employment and training programs must be relied upon to help reduce these excessively high pockets of unemployment.

The Commission is particularly concerned about individuals who in the course of the economic down-turn have been force onto welfare, those whose extended unemployment benefits are nearing exhaustion, and those whose opportunities in public service employment are phasing out. Many of these individuals, as well as many youth who are entering and many adults who are re-entering the labor force, will need special employment and training assistance to enable them to compete more effectively in the strengthening job market.

The Commission is concerned that decisions about manpower and related programs to stimulate employment are handicapped by conventional cost estimates calculated solely in terms of financial outlays without reference to the economic and human benefits that accrue from added employment. This is a serious error: preliminary studies suggest that a one percent reduction in unemployment results in an economic gain of $14 billion of additional tax revenues and a savings of $2 billion in income transfers. A more comprehensive approach to the full benefits should include the value of the output produced, the improved skills of the work force, and the human and social gains that redound to those who are productively employed rather than forced to spend idle days. 1. *Accordingly, the Commission recommends that the Office of Management and Budget in collaboration with other agencies of the legislative and executive branches, particularly the Departments of Labor, Commerce, and Health, Education and Welfare, encourage the development of a more sophisticated methodology to assess the net costs of programs aimed at reducing the pervasive costs of unemployment through alternative policies that involve both public and private sector actions and responses.*

In charting directions for manpower policy in the period immediately ahead, the Commission has carefully considered whether specific programs can be fitted into an effective infrastructure that can be used in good times as in bad.

The Commission shares the general concern over the size of the national deficit and the inflationary pressures that still exist. These concerns are particularly relevant in considering the new major outlays that would be required if a quick reduction in the overall unemployment rate were sought. In the Commission's view, efforts to force a rapid reduction in the unemployment rate would carry the risk of a new surge of inflation, which would soon unstabilize the economy, with a consequent rise in unemployment.

III. DIRECTIONS FOR ACTION

In its attempt to delineate an appropriate manpower program effort in Fiscal Year 1977, the Commission concentrated on the employment and training programs conducted under the Comprehensive Employment and Training Act and the Public Works and Economic Development Act, since these hold most promise of assisting the unemployed to re-enter the job market. It did not consider related programs, such as vocational education and vocational rehabilitation, which also contribute to the employability of particular groups.

A. Overall Level of Effort

The Commission realizes that additional expenditures on behalf of the unemployed would be indicated if there were tested delivery systems in place that could assure productive jobs for those who need them. The Commission has concluded, however, that it would be better not to expand the level of funding until it can be shown that existing or new delivery systems can add significantly to the future employability of those who are out of work.

This position specifically recognizes the importance of maintaining the considerable support for the unemployed that is currently provided under the manpower, the unemployment insurance, and the assistance programs, which enable large numbers of unemployed persons to remain off the welfare rolls.

The resources available for manpower services should cover the following: an orderly phase-down of PSE (Title VI of CETA); expanded skill training, through which more of the unemployed could be assisted to improve their prospects of securing productive jobs; modest new experimental programs focused on community job development and youth employment efforts.

B. Public Service Employment and Related Efforts

The Commission agrees that Title VI of CETA should be permitted to run its course: the authorization has lapsed, but there is proposed funding for an orderly phase-down through other sections of CETA. While taking this position, the Commission notes that, as it previously indicated,[1] it does not consider Title VI an

[1] See *An Interim Report to the Congress of the National Commission for Manpower Policy, Public Service Employment and Other Responses to Continuing Unemployment,* National Commission for Manpower Policy, Report No. 2, June 1975.

adequate instrument for counter-cyclical PSE. At a later date, the Commission will present a comprehensive countercyclical manpower strategy, including a recommendation for job creation.

2. *Even in the face of the proposed phase-down, the Commission recommends that funds be made available to the Secretary of Labor under Title III to experiment with a Community Job Development Program that would include projects that would provide useful work for long-term unemployed persons in depressed areas.*

The potential of this approach has been considered by both the Administration and the Congress, and the Commission believes that this is an opportune time to explore its strengths and weaknesses through a limited number of experimental projects which should be coordinated with CETA prime sponsors.

In the Commission's view, the eventual success of manpower policy and programming will depend on the establishment of stronger systems for delivering services to individuals and groups in need of assistance. Accordingly, it recommends this and subsequent experimental efforts for innovative job development programs.

An experimental Community Job Development Program would make funds available to employ the long-term unemployed in community-oriented activities, such as the rehabilitation of public facilities and housing, the razing of gutted and abandoned structures, the development of community parks, and to the optimal extent possible on projects aimed at speeding economic development, such as ground clearance for industrial parks. Much of this activity could be carried out by community-based organizations. In implementing this program, sponsors should be encouraged to make maximum use of Community Development Act funds that may be available. In addition, projects should be approved only after assurances are received that the planned activities will not undermine the jobs and wages of regularly attached members of the work force (including those presently out of work). Since many of the hard-core unemployed have limited or no skills, their productivity, at least for some time, is likely to be below, often far below, that of regular workers, and this would justify their receiving a trainee's or apprentice's wages without jeopardizing the labor standards of the fully skilled work force.

The Commission notes that a related experimental program involving direct federal job development might also be considered at this time whereby the country could gain useful experience with another approach to providing productive work for unemployed persons in periods of substantial unemployment. For example, the

Departments of Agriculture and the Interior have many activities in which the unemployed could be effectively employed. This fact adds to the attractiveness of such an experiment, which would require close coordination between these Departments and CETA sponsors in recruiting applicants.

C. Skill Training

The recovery of the economy is bringing with it a growing number of regular job opportunities. Accordingly, a high priority should be given to providing unemployed persons who need job skills, including many on UI, with the training that will enable them to move more readily into self-supporting employment. Such efforts are doubly important in light of the large numbers of individuals who are exhausting their UI benefits, or who have been forced onto welfare. Many of them could benefit from job training and, indeed, require it if they are to compete effectively in the labor market. Equally pressing are the training needs of persons in disadvantaged groups, as well as the needs of unskilled new entrants and reentrants into the labor force. Those leaving PSE without marketable skills are also a prime target for training assistance.

An expanded training effort, however, must involve quality training and must be geared to the emerging requirements of the expanding labor market. Toward this end, efforts must be made to strengthen the training base of the manpower system, including that controlled by prime sponsors, by community-based organizations, and by the training establishment.

The Commission believes that a major portion of Title I funds are currently being devoted to work experience rather than to specific skill training. 3. *The Commission recommends a shift to an enlarged skill training effort, which might include the channeling of some of these funds through Title III to assure that they are made available only when local sponsors can provide quality skill training.*

The Commission also supports the greater use of community-based organizations of proven effectiveness in job training and job creation efforts.

D. Public Works

The Commission believes that there is a place for public works in a comprehensive strategy for countercyclical programs, and will set forth its detailed recommendations in its forthcoming second annual report. However, since the Administration's budget contains recommendations for a level of public works expenditures in Fiscal

1977 of $21 billion, or more than 15 percent above such expenditures for Fiscal 1976, and since the Administration recommends the accelerated write down of new investments in areas of high unemployment, the Commission does not recommend special funding for accelerated public works at this time. This position reflects its concern with the high expenditures per job created and the delayed impact on job creation, particularly in this phase of the economic recovery. The Commission is concerned, however, about the continued slump in the heavy construction industry. The Commission noted at its meeting that there is a considerable backlog of deferred but planned-for construction projects, many of which could be quickly mounted. It also noted that the employment multiplier effect of new construction starts and the economic return from such investment over time should be considered in assessing the budgetary cost of accelerated public works. (See II above.)

The construction industry, which is based on high skills and heavy capital investments, represents a critical national asset. There is no prospect of our succeeding in our search for independence with respect to energy resources, in rebuilding our older cities, or in strengthening the technological foundations of the American economy unless our heavy construction capability is protected from eroding. The Commission is exploring whether special measures may be required to insure the viability of this critical sector in the unique circumstances of the present recovery, which represents the first time that construction is lagging behind rather than leading expansion.

E. Youth Employment Corporation

The Commission, with a few members opposed, saw merit in experimenting, via a limited number of pilot projects, with a "Youth Employment Corporation," which would provide a range of job preparation and employment opportunities aimed at facilitating the effective absorption of disadvantaged youth into the regular economy through a comprehensive program under unified management.

The national unemployment rate for youths in March was over 19 percent, and for minority youths the counted unemployment rate was over 35 percent, with much higher "unofficial" rates ranging from 40 percent to 60 percent in the inner cities. In the period ahead, through FY 1977 and beyond, youth employment prospects will be adversely affected by the available pool of adult

male workers, many of whom have substantial job skills and work experience, and by the increasing employment of adult women.

Since the federal government is currently spending more than $1 billion annually on manpower services for youths, much of which provides income maintenance and little more, an improved delivery system holds promise of potentially high returns. 4. *Therefore, the Commission recommends that provision be made through Title III of CETA for the Secretary of Labor, in cooperation with the other agencies concerned with youth employment problems, to experiment with a limited number of pilot models (five or so) of a Youth Employment Corporation, with the aim of determining whether a unified management structure, in cooperation with employers, unions, and other groups concerned with creating meaningful job opportunities, can assure a more effective transition of disadvantaged youth into the regular labor market.*

F. Improving the Knowledge Base

There is a critical need for increased efforts to improve our conceptual understanding of and statistical information about manpower programs and the results achieved therefrom. There are particular needs for a review of unemployment statistics; for alternative designs for improving the collection of area, local, and neighborhood labor market information; and for research into the multiple ramifications of the full employment concept. Since we annually spend several billions of dollars to ameliorate labor market problems and additional billions on work-related income maintenance efforts, an updating of our data collection methodologies and reporting systems should reduce the existing knowledge and operational gaps and improve the effectiveness of our manpower policy and programming. Representatives of the several federal agencies, state and local governments, and other interested or affected groups should actively participate in any reviews and revisions that are conducted.

5. *The Commission therefore recommends the following improvements in our data base:*

a. *Intersified research efforts directed to exploring the complex issues associated with the concept of "full employment," the number of persons "able and willing to work," and the different meanings that attach to the measures of unemployment.*

b. *The establishment of a new Commission on Unemployment Statistics to reassess the conclusions of the Gordon Commission,*

which reported in 1962, and to deal with the new issues that have emerged since that time.

c. *Experimental approaches focused on determining the feasibility and cost of improving the collection of local labor market information so as to strengthen the basis on which congressional allocations are distributed and manpower program performance is evaluated.*

G. Unemployment Insurance

The Commission is concerned that the principal source of income for the long-term unemployed, through the special legislation that extended unemployment insurance benefits to 65 weeks and provided supplemental assistance to persons not previously covered, is expiring. The Commission does not support extending the maximum period of benefits beyond 65 weeks, nor does it necessarily support maintaining the 65-week provision. The Commission also notes that the current unemployment insurance system with its varying rates among states works to the detriment of those which experience a disproportionate share of unemployment. The long run effects, especially the necessity to pay back borrowed funds, may serve to extend unemployment by having an adverse effect on the business climate of states with large indebtedness. The Commission has earlier indicated its concern[2] about the possible emergence of a new welfare system through such extended UI benefit periods.

6. *The Commission therefore recommends the following actions:*

a. *Congressional enactment of provision of funding to assure adequate financial support for the long-term unemployed (39 weeks) so that they will not be forced onto the welfare rolls.*

b. *Early enactment of the new legislation, now pending before the Congress, which, in addition to providing improved benefits and assuring financial stability of the UI system, will provide permanent coverage for those who were earlier supported by Supplemental Unemployment Assistance.*

c. *Congressional action to link the UI system more closely to the Manpower development and training system, so that an increasing*

[2] See *First Annual Report to the President and the Congress of the National Commission for Manpower Policy: Toward a National Manpower Policy*, National Commission for Manpower Policy, Report No. 3, October 1975.

number of unemployed persons can be provided with skill training and other services early in their period of unemployment benefits and surely at the end of 39 weeks of support.

H. Special Revenue Sharing

The Commission recognizes the desirability of a special revenue sharing program to enable state and local governments to maintain essential services, such as fire protection, police, and sanitation, when they are undergoing a severe reduction in their revenues. Because of the complex administrative and operational problems involved in designing such a program, which will assure, among other goals, that federal assistance does not encourage lax budgetary behavior on the part of other governmental units, the Commission is not ready to make a definitive recommendation. It does call attention, however, to the weakness of the present situation wherein manpower programs are used—and misused—for purposes that could be better served by emergency revenue sharing.

I. The Role of the Private Sector

Most of the foregoing discussions and recommendations have focused on manpower actions in the public domain. Nevertheless, the Commission devoted considerable time to exploring, in a preliminary fashion, the necessity of securing the more active involvement of the private sector with respect to both manpower training and job creation. The Commission recognizes that the majority of productive jobs and attractive careers are in the private sector and that the long-term solution to the nation's underutilization of its human resources cannot be achieved without the active and continuing participation of the private sector. Further, the Commission recognizes that the monetary and fiscal policies and the regulatory actions of the federal government significantly influence the level and the composition of employment in the private sector.

The Commission has begun a dialogue with representatives of large corporations to identify areas of mutual concern and action;[3]

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[3] See *Proceedings of a Conference on the Role of the Business Sector in Manpower Policy*, National Commission for Manpower Policy, Special Report No. 4, November 1975.

it will review at its forthcoming meeting in Brussels (June 1976) the experience of West European nations in relying on public/private sector cooperation to expand employment; and it has taken additional steps to encourage both large and small employers and their associations to consider how they might play a more constructive role in the manpower arena.

IV. CONCLUDING OBSERVATIONS

Implementation of the foregoing recommendations of the Commission will contribute to accomplishing the following:

- Assure that in the face of continuing high unemployment, federal programs will be in place, so that those in need will not be without some form of assistance.
- Make permanent improvements in existing manpower infrastructures, such as the Unemployment Insurance system, to avoid the necessity of again resorting to emergency measures such as special unemployment assistance benefits.
- Permit recent emergency legislation such as Title VI of CETA to lapse, while keeping open the option of replacing it in the future with a strengthened title that takes advantage of recent experience.
- Encourage experimentation with new approaches to program delivery, such as the Community Job Development Program and Youth Employment Corporation, in the hope and expectation that the federal dollars expended will result in more constructive outcomes for the unemployed and for society.
- Stimulate research and development efforts, so that greater conceptual understanding can be acquired and better statistical reporting and control can be achieved, which will enable us to strengthen manpower policy and programming.
- Avoid at the present time large-scale initiatives that might because of their impact on the budget and their consequent inflationary effect be counterproductive by undermining the confidence of consumers and investors, thereby slowing the recovery that is underway.
- Provide skill training for a larger number of long-term and other unemployed persons, thus adding to their job prospects and at the same time enlarging the nation's skill pool.
- Explore how the large income transfer systems can be more effectively aligned with the manpower system, so that federal funds can be used more constructively to help the unemployed and strengthen the economy.

- Accelerate explorations with representatives of various private sector groups to assure that they play an optimal role in both manpower training and job creation.

The foregoing recommendations speak to directions for manpower policy for the period immediately ahead. In accordance with its legislative mandate, the Commission is proceeding to develop a broad framework for a national manpower policy that will form the core of its second annual report in the fall of 1976.

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PUBLISHED REPORTS OF THE NATIONAL COMMISSION FOR MANPOWER POLICY

- An Interim Report to the Congress of the National Commission for Manpower Policy: *The Challenge of Rising Unemployment*, Report No. 1, February 1975.
- An Interim Report to the Congress of the National Commission for Manpower Policy: *Public Service Employment and Other Responses to Continuing Unemployment*, Report No. 2, June 1975.
- First Annual Report to the President and the Congress of the National Commission for Manpower Policy: *Toward a National Manpower Policy*, Report No. 3, October 1975.
- An Interim Report to the President and the Congress of the National Commission for Manpower Policy: *Addressing Continuing High Levels of Unemployment*, Report No. 4, April 1976.
- *Proceedings of a Conference on Public Service Employment*, Special Report No. 1, May 1975.
- *Manpower Program Coordination*, Special Report No. 2, October 1975.
- *Recent European Manpower Policy Initiatives*, Special Report No. 3, November 1975.
- *Proceedings of a Conference on the Role of the Business Sector in Manpower Policy*, Special Report No. 4, November 1975.
- *Proceedings of a Conference on Employment Problems of Low Income Groups*. Special Report No. 5, February 1976.
- *Proceedings of a Conference on Labor's Views on Manpower Policy*, Special Report No. 6, February 1976.
- *Current Issues in the Relationship Between Manpower Research and Policy*, Special Report No. 7, March 1976.

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